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REGISTRATION NO. **19386** FILED 1425
MAR 23 1995 12 29 AM
INTERSTATE COMMERCE COMMISSION

LICENSING DIVISION
MAR 22 9 47 AM '95

March 22, 1995

Mr. Vernon Williams
Secretary
Interstate Commerce Commission
12th & Constitution Avenue, N.W.
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed is a Locomotive Operating Lease Agreement dated 1/31/95
between the following parties:

Lessor: Electro-Motive Division,
General Motors Corporation
LaGrange, IL 60525

Lessee: Burlington Northern Railroad Company
1500 Continental Plaza
777 Main Street
Fort Worth, Texas 76102

The equipment included in this lease is listed on Schedule A.

Please file this agreement as a primary document. The filing fee
of \$21 is enclosed. Thank you.

Sincerely,

Mary Ann Oster

Mary Ann Oster
Research Consultant

Enclosure

counterparts - Mary Ann Oster

LOCOMOTIVE OPERATING LEASE AGREEMENT

RECORDATION NO. 19306
MAR 27 1995 10 20 AM
FILED 1428

THIS LEASE, made and entered into as of this 3rd day of January, 1995, by and between Electro-Motive Division, General Motors Corporation, a Delaware corporation, hereinafter called "Lessor", and the Burlington Northern Railroad Company, a Delaware corporation, hereinafter called "Lessee".

RECORDATION NO. 19306
MAR 27 1995 10 20 AM
FILED 1428
INTERSTATE COMMERCE COMMISSION

LESSOR AND LESSEE HEREBY AGREE AND COVENANT AS FOLLOWS:

1. Lease:

Lessee agrees to lease from Lessor the locomotives described in Schedule A hereto together with all replacement parts, additions, repairs and accessories incorporated therein and/or affixed thereto (the "Locomotives") for use by Lessee in revenue service.

Lessee will cause the Locomotives to be kept numbered with the identification numbers set forth in **Schedule A** and will keep and maintain, permanently and conspicuously marked on each side of each Locomotive, in letters not less than one inch in height, the words "Ownership Subject to a Security Agreement On File With The Interstate Commerce Commission", with appropriate changes thereof as from time to time may be required by law, in the opinion of Lessor, in order to protect the Lessor's title to and interest in the Locomotive and the rights of the Lessor under this Lease. Lessee will not place any Locomotive in operation or exercise any control or dominion over the same unless such words are so marked and will replace promptly any such markings which may be removed, obliterated, defaced or destroyed. Lessee will not change the identification number of any Locomotive unless and until a statement of the new number therefor is delivered to Lessor and filed in all public offices where this Lease may be filed.

Lessee will not allow the name of any person, association or corporation to be placed on any Locomotive as a designation that might be interpreted as a claim of ownership.

2. Rent/Term/Renewal:

- (a) Rent with respect to each Locomotive shall commence on May 1, 1995, and shall continue through April 30, 1997. The Daily Rental shall be \$225 per day per Locomotive.
- (b) Delinquent installments of rent shall bear interest at the rate of 1-1/2% per month if not prohibited by law, otherwise at the highest lawful contract rate.
- (c) Lessee agrees to store all or any portion of the Locomotives in accordance with Lessor's Maintenance Instruction M.I.1726B, including but not limited to covering the exhaust stack, completely draining the water from the locomotive systems, and protecting the batteries from freezing, for a ninety (90) day period after termination of this Lease, at Lessor's request, free of any charge to Lessor.
- (d) This is a **net lease**, and Lessee's obligation to pay all rent and other amounts as they become due is unconditional. Lessee shall not be entitled to any reduction of rent nor any setoff,

counterclaim, recoupment or defense against rent or any other amount payable hereunder for any reason whatsoever, including, but not limited to, reductions, setoffs, counterclaims, recoupments or defenses due or alleged to be due by reason of any past, present or future claims of Lessee against Lessor or any other person for any reason whatsoever, nor shall this Lease terminate nor the obligations of Lessee be otherwise affected by reason of any defect in the condition, design, operation or fitness for use of any Locomotive or damage to or loss of possession or use or destruction thereof from whatever cause and of whatever duration except as otherwise provided herein.

- (e) So long as Lessee has fully and faithfully performed all of the terms and conditions of this Lease, and providing a Default or an event of default (Section 18) has not existed nor is continuing under this Lease, Lessee, at its sole election (which election shall be irrevocable) made in writing to Lessor at least 180 (but not more than 360) days prior to May 1, 1997, may renew the Lease for all, but not less than all, of the Locomotives at the then Fair Market Rental Value.

3. Warranties and Representations:

Lessee acknowledges that Lessor has no knowledge or information as to the condition or suitability of the Locomotives for Lessee's purposes and Lessor's decision to enter into this Lease is made in reliance on Lessee's undertakings herein. LESSOR MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND RESPECTING THE LOCOMOTIVES, WHETHER STATUTORY, WRITTEN, ORAL OR IMPLIED, AND LESSOR HAS NOT MADE AND SHALL NOT BE DEEMED BY VIRTUE OF HAVING EXECUTED THIS LEASE TO HAVE MADE ANY REPRESENTATION OR WARRANTY AS TO THE MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, DESIGN OR CONDITION OF THE LOCOMOTIVES, ALL OF WHICH ARE EXPRESSLY DISCLAIMED AND LESSOR SHALL NOT BE LIABLE, IN CONTRACT, OR TORT BECAUSE OF ANY DEFECT WHETHER HIDDEN, LATENT, OR OTHERWISE DISCOVERABLE OR NONDISCOVERABLE RESPECTING ANY LOCOMOTIVE. Lessee accordingly agrees not to assert any claim whatsoever against Lessor based thereon. Lessee further agrees, regardless of cause, not to assert any claim whatsoever against Lessor for loss of anticipatory profits or consequential damages.

4. Payment of Rent:

Lessee shall wire transfer immediately available funds in payment of the monthly rent to the following account (or to a third party if instructed to do so by Lessor) within ten (10) days of receipt of an invoice therefor:

Electro-Motive Division of General Motors Corporation
c/o 1st National Bank of Chicago
Account No. 50-63191 "Rental Income Account"
Attn: Assistant Comptroller

5. Recordkeeping; Inspection:

Lessee agrees to keep and maintain and make available to Lessor such records of Lessee's use,

operation, inspection, repairs and maintenance of the Locomotives hereunder as shall be reasonably required by Lessor. Lessor's agents shall have the right at all reasonable times to go upon the property of Lessee to inspect the Locomotives.

6. Casualty/Condemnation:

- (a) During the term of this lease, including the storage period as provided in Section 2(c) and until such time as the Lessee delivers the Locomotives to the Lessor, Lessee shall notify Lessor in the event any Locomotive shall be lost, stolen, destroyed, taken or requisitioned by condemnation or otherwise by any governmental entity, irreparably damaged, permanently rendered unfit for use from any cause whatsoever, other than acts or omissions of Lessor (any such occurrence being hereinafter called a "Casualty Occurrence"). On the payment date next following the date of any Casualty Occurrence, Lessee shall (i) pay to Lessor any unpaid rent due on or prior to such date, and (ii) pay Lessor the Casualty Value of the Locomotive as stated in **Schedule A** hereto.
- (b) Upon payment of any Casualty Value, the terms of this Lease shall no longer apply to the Locomotive which was the subject of such payment and title to and rights in such Locomotive shall thereupon vest in the Lessee; provided, however, the Lessor shall have the option, to be exercised within fifteen (15) days after any such payment by Lessee, to retain the subject Locomotive upon payment to Lessee of the scrap or salvage value thereof, to be determined by mutual agreement or, failing such agreement, by the average of the bids thereon by three independent parties. Lessee shall furnish Lessor with certificates or other evidence of compliance with this Section 6 as may be reasonably required.

7. Indemnity:

Lessee agrees to indemnify, protect and hold harmless Lessor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, and reasonable expenses in connection therewith, including, but not limited to, reasonable counsel fees arising from: (a) Lessee's failure to promptly perform any of its obligations under Sections 2, 6, 8 or 16 hereof, or (b) injury to persons or property resulting from or based upon the actual or alleged use, or transportation of any Locomotive hereunder, or (c) any repair, servicing or adjustment of any Locomotive or any delay in providing or failure to provide any thereof, or (d) any interruption of service or loss of business. Lessee shall also, at its own cost and expense, defend any and all suits which may be brought against Lessor upon any such liability or claim and shall satisfy, pay and discharge any and all judgments and fines that may be recovered against Lessor in any such action provided Lessor gives Lessee written notice of any such claim or demand. Lessee shall not be required to indemnify Lessor for any loss, liability or expense resulting from the gross negligence or willful misconduct of Lessor or from claims for strict liability in tort. The indemnities arising under this section shall continue in full force and effect while the Locomotives are possession of Lessee notwithstanding the full payment of all other obligations hereunder or the expiration or termination hereof.

Lessee agrees to prepare and deliver to Lessor, upon request and within a reasonable time prior to the required filing date (or to the extent permissible, file on behalf of Lessor) any and all reports (other than tax returns) to be filed by Lessor with any regulatory authority or other entity by reason of Lessor's ownership or lease of the Locomotives.

8. Compliance with Law - Repair and Maintenance:

Lessee shall comply with all applicable Federal Railroad Administration requirements, the interchange rules of the Association of American Railroads and all other applicable governmental laws, regulations and requirements with respect to the use, maintenance and operation of the Locomotives during this Lease. Lessee shall use the Locomotives only in the manner for which they are designed and intended, so as to subject them only to ordinary wear and tear. Nothing contained herein shall be construed as requiring the Lessee to make modifications, alterations, or additions to or removal from the Locomotive, in order to comply with applicable laws and regulations.

The Locomotives shall be maintained or scheduled for maintenance on a basis equivalent to Lessee's customary maintenance schedule for similar equipment. Any parts installed or replacements made by Lessee upon the Locomotives shall be considered accessions to the Locomotives and title thereto shall be immediately vested in Lessor, without cost or expense to Lessor; any failed or worn parts removed by Lessee in connection with any of the foregoing activities become Lessee's property, provided, however, that Lessee may remove from the Locomotives any communications, train control, telemetry, recording and other specialized equipment, which Lessee paid for and installed, but only if such removal may be accomplished without damage to the Locomotives.

During the term of this Lease, Lessee shall, at its own cost and expense, maintain each Locomotive (and the component parts of each Locomotive) in good repair and operating condition and in accordance with prudent industry practice and applicable manufacturer recommendations so that the Locomotives will remain (i) in as good operating condition as when delivered (reasonable wear and tear excepted), and (ii) in compliance with applicable laws or regulations, and (iii) suitable for immediate use in line-haul service. Lessee shall perform all inspections of the Locomotives and maintain all records, logs and other materials with respect to each of the Locomotives as may be required to be maintained by the United States Department of Transportation or any other governmental authority having jurisdiction over the Locomotives or the Lessee.

9. No Purchase Option: Delivery of Locomotives to Lessor:

Lessee has no option to purchase the Locomotives. Upon any termination of this Lease or at the end of any term of free storage that may be requested by Lessor as provided in Section 2 hereof, Lessee shall deliver the Locomotives to an interchange point on Lessee's property designated by Lessor.

10. Assignment by Lessee:

Lessee shall not assign or sublet its interest under this Lease, or any part hereof, or permit the use or operation of the Locomotives by any other person, firm or corporation without the prior written consent of Lessor. Lessor expressly consents to incidental operation and use on railroads other than the Lessee's under standard run through arrangements provided, however, that a Locomotive may not be so operated or used outside the United States.

Upon written notification and with mutual agreement the Locomotives may be operated in Canada if Lessee makes all filings with Canadian national, provincial and local governmental entities necessary to protect Lessor's or its assignee's ownership interest in the Locomotives. Lessee agrees to take no action to jeopardize Lessor's or its assignee's ownership interest and to indemnify Lessor against any increased cost, expense, liability, or claim, including taxes,

that may arise because of such use in Canada.

Notwithstanding any assignment or sublet as provided in this Section, Lessee shall not be relieved of its obligations hereunder without the written consent of the Lessor.

11. Assignment by Lessor:

Lessor may at any time assign its rights and obligations hereunder. In such event Lessor's assignee shall have, to the extent provided in the assignment, the rights, powers, privileges and remedies of Lessor hereunder; provided, however, that no assignment shall relieve Lessee of its obligations hereunder.

12. Notices:

Unless otherwise specifically provided, any notices to be given under this Lease or any other communications between the parties shall be given by certified mail, postage prepaid in the following manner:

(a) Notices from Lessor to Lessee shall be sent to:

**Burlington Northern Railroad Company
1500 Continental Plaza
777 Main Street
Forth Worth, Texas 76102
Attention: Director Locomotive Management**

or other address that Lessee may indicate by written notice to Lessor.

(b) Notices from Lessee to Lessor shall be sent to:

**Electro-Motive Division
General Motors Corporation
9301 W. 55th Street
La Grange, Illinois 60525
Attention: Manager of Lease Locomotive Operations, Dept. 230**

13. Quiet Enjoyment:

So long as Lessee complies with the terms and provisions hereof, Lessee shall be entitled to the use and possession of the Locomotives according to the terms hereof without interference by the Lessor or by any party lawfully claiming by or through the Lessor.

14. Protection of Lessor's Title:

Lessor may, at its option, require Lessee to file this Lease with the Interstate Commerce Commission and elsewhere to protect Lessor's or Lessor's assignee's title to the Locomotives. Lessee will, from time to time, execute, acknowledge and deliver to Lessor any and all further

instruments reasonably requested by Lessor, for the purpose of protecting Lessor's or Lessor's assignee's title to the Locomotives.

15. Taxes and Liens:

Lessee agrees to assume responsibility for, to pay, and to indemnify and hold harmless Lessor from and against all applicable taxes, levies, assessments, and other governmental charges or withholdings of any nature levied or assessed by any federal or state governmental taxing authority upon or with respect to the Locomotives, or the use of the Locomotives under the terms hereof, and which are payable solely and directly on account of the leasing of the Locomotives by Lessee, including, but not limited to, any ad valorem taxes, license or registration fees, and sales taxes, provided, however, that Lessee shall not be responsible for (1) any tax on, based on, measured by, or with respect to net or gross income, capital, franchises, excess profits or conduct of business of Lessor, and (2) any sales, use or other taxes or charges levied or assessed directly or indirectly in connection with Lessor's acquisition of the Locomotives (whether such acquisition is by sale or lease), or the use, consumption, manufacture, disposition, substitution or storage of the Locomotives. Lessee will be under no obligation to pay any such taxes or other charges so long as Lessee in good faith and by appropriate legal or administrative proceedings contest the validity or amount thereof or directs Lessor to contest the validity or amount thereof, which contest Lessor so agrees to undertake at Lessee's cost, and the nonpayment thereof does not adversely affect the title, property or rights of Lessor in or to any Locomotive. Lessee will not be responsible for any such amounts, and any interest or penalties thereon, if they are imposed as a result, directly or indirectly, of Lessor's act or failure to act or misrepresentation or omission. To the extent that it is legally permissible, Lessee shall timely prepare and file all reports and returns which are requested to be made with respect to any obligation of Lessee arising out of this Paragraph 15.

16. Performance Obligations of Lessee by Lessor:

In the event that Lessee shall fail duly and promptly to perform any of its obligations hereunder, the Lessor may, at its option, perform same for the account of Lessee without thereby waiving such default. Any amount paid or expense (including reasonable attorneys' fees), incurred by the Lessor in such performance, together with interest at the lesser of 1-1/2% per month or the highest amount allowed by law thereon until paid, shall be payable by the Lessee upon demand as additional rent hereunder.

17. Lessee's Covenants:

Lessee will, during the term of this Lease: (a) defend at Lessee's own cost any action, proceeding or claim affecting the Locomotives; (b) do everything necessary or expedient to preserve or perfect the Lessor's interest in the Locomotives; (c) not misuse, fail to maintain, secrete, sell, rent, lend, encumber or transfer the Locomotives, except as provided in Section 10 hereof; and (d) permit Lessor to enter upon Lessee's premises or wherever the Locomotives may be located at any reasonable time and upon reasonable notice to inspect the Locomotives. The provisions of this Section shall survive the termination of this Lease.

18. Default:

- (a) An event of default shall occur if Lessee:
- (i) fails to pay when due any installment of rent and such failure continues uncured for ten (10) days;
 - (ii) fails in any of its obligations hereunder and such failure continues uncured for fifteen (15) days after written notice thereof to Lessee by Lessor;
 - (iii) ceases doing business as a going concern;
 - (iv) files a voluntary petition in bankruptcy or files a petition seeking reorganization, composition, readjustment, liquidation, dissolution or similar arrangement or files an answer admitting the material allegations of a petition filed against it for such purpose.
 - (v) consents to or acquiesces in the appointment of a trustee, receiver, or liquidator of it or of any substantial part of its assets;
 - (vi) fails to have any proceeding seeking reorganization, arrangement, readjustment, liquidation, dissolution or the appointment of any trustee, receiver or liquidator of any part of its assets dismissed or vacated within sixty (60) days; or
 - (vii) attempts to remove, sell, transfer, encumber, part with possession or sublet any Locomotive or any part thereof in a manner prohibited hereunder.
- (b) Upon the occurrence of an event of default, Lessor, at its option, may:
- (i) declare all sums due and to become due hereunder immediately due and payable;
 - (ii) proceed by appropriate court action to enforce performance by the Lessee of any and all covenants hereof and to recover damages for the breach thereof;
 - (iii) demand that Lessee deliver the Locomotives forthwith to Lessor at Lessee's expense at such place as Lessor may designate; or
 - (iv) without notice or legal process, enter into any premises of or under control of Lessee or any agent of Lessee where any Locomotive may be and retake all or any item thereof, in accordance with applicable law, Lessee hereby expressly waiving all further rights to possession of the Locomotives and all claims for damages related to any such retaking.
- (c) If any statute governing any proceeding hereunder specifies the amount of Lessor's deficiency or other damages for breach of this Lease by the Lessee, Lessor shall be entitled an amount equal to that allowed under such statute.
- (d) Lessor's remedies hereunder shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. Lessee hereby waives: (i) any requirements of law which might limit or modify the remedies herein provided, and (ii) any claim to any right of offset

against the rental payments due hereunder. Lessor shall, moreover, be entitled to all rights provided for in any bankruptcy act, including the right to take possession of any Locomotive upon any event of default hereunder, regardless of whether Lessee is in reorganization.

- (e) No failure or delay by Lessor in exercising, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege by Lessor preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

19. Choice of Law:

This Lease shall be governed in all respect by the Law of the State of Illinois and shall be deemed to be entered into in the State of Illinois.

20. Miscellaneous:

- (a) All transportation charges for delivery of Locomotives to Lessee and the return of the Locomotives to a point on the Lessee's lines, specified by Lessor, shall be borne by Lessee.
- (b) If any part hereof is contrary to, prohibited by or deemed invalid under applicable laws or regulations of any jurisdiction, such provision shall be inapplicable and deemed omitted but shall not invalidate the remaining provisions hereof.
- (c) This Lease is irrevocable for the full term hereof.
- (d) This Lease and **Schedule A** hereto constitute the entire agreement between the parties concerning the Lease of the Locomotives and no modification hereof shall be effective unless reduced to writing and signed by authorized representatives of the parties.

IN WITNESS WHEREOF the parties hereto intending to be legally bound thereby have executed this Agreement as of the date first above written.

Attest: _____

[Signature]

General Motors Corporation
Electro-Motive Division

By: _____

[Signature]

Title: _____

President & Treasurer

Burlington Northern Railroad

Attest: _____

A. Lisa Templeton

By: _____

[Signature]

Title: _____

V.P.

State of Illinois)
County of Cook)

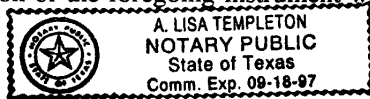
On this 16th day of February, 1995, before me personally appeared Raith W. Gonzales, to me personally known, who, being by me duly sworn, did say that he is a representative of Electro-Motive Division, General Motors Corporation, that the instrument was signed on behalf of such corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

R. A. Gonzales
Notary Public

My commission expires:

State of TEXAS)
County of TARRANT)

On this 6th day of FEB, 1995, before me personally appeared H D ROBINSON, to me personally known, who, being by me duly sworn, did say that he is a representative of the BURLINGTON NORTHERN, that the instrument was signed on behalf of such corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.



A. Lisa Templeton
Notary Public

My commission expires:

09-18-97

SCHEDULE A

LEASED LOCOMOTIVES Casualty Values

<u>Road Number</u>	<u>Model</u>	<u>Casualty Value</u>
741	GP38-2	\$400,000
743	GP38-2	375,000
745	GP38-2	375,000
747	GP38-2	375,000
748	GP38-2	375,000
752	GP38-2	375,000
753	GP38-2	375,000
756	GP38-2	375,000
758	GP38-2	400,000
759	GP38-2	375,000
760	GP38-2	400,000
761	GP38-2	375,000
762	GP38-2	375,000
767	GP38-2	375,000
770	GP38-2	375,000
771	GP38-2	400,000
776	GP38-2	375,000
778	GP38-2	375,000
779	GP38-2	375,000
780	GP38-2	375,000
781	GP38-2	375,000
783	GP38-2	400,000
785	GP38-2	375,000
787	GP38-2	375,000
789	GP38-2	375,000
791	GP38-2	375,000
792	GP38-2	375,000
797	GP38-2	400,000
798	GP38-2	375,000
799	GP38-2	375,000
802	GP38-2	375,000
804	GP38-2	375,000
807	GP38-2	375,000
808	GP38-2	400,000
824	GP38-2	400,000
826	GP38-2	400,000
827	GP38-2	375,000
838	GP38-2	400,000